

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6875
BILL NUMBER: HB 1217

NOTE PREPARED: Jan 6, 2003
BILL AMENDED:

SUBJECT: Boroughs.

FIRST AUTHOR: Rep. Mangus
As Introduced:

BILL STATUS:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes the creation of a borough in a township that contains at least one town. It provides that the borough is a municipality that replaces the government of the town and township government and requires the election of a borough assessor. The bill provides that the borough has the same powers and duties as and is subject to the statutes applicable to second class cities and that the borough executive has the same powers and duties as a mayor of a second class city and a township trustee.

This bill provides revenue distribution provisions for boroughs. It provides that the county is responsible for maintenance, repair, and construction of the roads and streets in the borough unless the borough elects to assume responsibility.

The bill also establishes an interim study committee on boroughs to prepare legislation for introduction in the 2004 session to create technical and substantive amendments consistent with the purposes of this act.

Effective Date: July 1, 2003.

Explanation of State Expenditures: This bill establishes an eight-member Interim Study Committee on Boroughs. The Committee is to operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 members.

This Committee would prepare legislation for the 2004 regular session to make technical corrections, add transition provisions, and make necessary substantive changes to the borough law.

The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. The state also pays homestead credit in the amount of 20% of the net property tax due on owner-occupied residences. If the borough property tax levy is different than the overall township plus participating town levies, then PTRC and homestead credit payments would be impacted.

PTRC and homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in PTRC and homestead credit expenditures would ultimately affect the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill would allow a township that contains at least one town, but no cities, to establish a borough. In order to establish a borough, a resolution with the appropriate question must be adopted by the township and any of its towns that wish to participate, and then an election must be conducted for its consideration. If the majority of votes cast in the proposed borough is in favor of the consolidation, then the town(s) would be dissolved and merged into the borough. The borough would be governed by laws applicable to second class cities and would also have the powers and obligations of a township. The borough would assume the debts, liabilities, and contracts of the township and participating town(s).

Of the state's 1,008 townships, 368 could potentially be affected by this bill. Townships that contain a city are not affected by this bill.

The county election board would experience an increase in expenditures if a special election is held for the consideration of consolidating the township. Expenses to run an election include: election board expenses, rental of a facility for polling (if necessary), and/or voting equipment (if necessary). The average expense for election inspectors, judges/clerks, and other members range from \$65 to \$150, \$70 to \$100, and \$40 to \$100, respectively.

Counties could face additional cost if one or more voting machines are rented in order to cover a municipal election. Rental cost of the Micro Vote direct recording electronic (DRE) voting machine is approximately \$2,500 plus \$300 per each additional machine rented. For the 2000 general election, the cost of ballots per 1,000 voters was \$54.75.

Consolidating a township with town(s) into a borough may eliminate duplicated services, such as fire protection. Currently, if a town chooses not to provide fire protection services, it may opt to receive fire protection from the township, which is required to provide fire protection to its unincorporated areas. Upon consolidation of a township and a town where each provides fire services, a savings in expenditures could result.

Since a borough would be governed as a second class city, services such as police protection and sanitation might have to be provided throughout the entire borough, including the former unincorporated areas. There would be additional local costs for providing services in previously unserved areas.

Under the proposal, a borough can elect whether or not to be responsible for the construction and maintenance of local roads, streets, and bridges. If a borough assumes this responsibility, then the borough

would have the additional expense of maintaining roads and bridges that were formerly the responsibility of the county as well as those that were the responsibility of the participating towns. If the borough does not accept this responsibility, then the county would be responsible for local roads, streets, and bridges, including those that were formerly the responsibility of the participating town(s).

Each borough would have a president, a clerk, a council, a controller, a common council, an assessor, an optional vice president, an optional manager, a corporation counsel, a borough attorney, borough deputies and employees. The duties of these officeholders would be the same as the duties of like-named township and city offices. The borough president would perform the former township trustee's duties, except for property assessment. Borough administration expenses could be higher or lower than the individual units' expenses depending on the number of towns that are participating, the number of officials and staff in the borough, and the salary and benefit levels that are adopted.

Explanation of Local Revenues: A borough's initial maximum property tax levy would be set by the state's Local Government Tax Control Board. The Control Board would be required to consider the budgets, rates, and levies of the township and the participating towns when approving the same for the borough. The final property tax impact would depend on Control Board action. Even if the total levy remains constant, taxpayers within the township and the town(s) may bear different proportions of the tax burden than before the consolidation.

Boroughs would receive distributions from the county Motor Vehicle Excise Tax, Motor Vehicle Excise Surtax and Wheel tax, local option income taxes (CAGIT, COIT, and CEDIT), and alcohol and tobacco taxes. In most cases, the distribution of these funds to the borough will mean a smaller share of these revenues for other units in the county.

If a borough assumes responsibility for local roads, streets, and bridges, it would receive distributions from the state Motor Vehicle Highway and local road and street accounts. If the borough does not accept responsibility for local roads, streets, and bridges, then the county would receive the amount that the borough would have otherwise received from these accounts.

State Agencies Affected:

Local Agencies Affected: Counties, County Election Boards, Townships, and Towns.

Information Sources: Local Government Data Base; Marion County Election Board, 327-5117; Voter Registration, Marshall County Circuit Court Clerk's Office, (574) 935-8713; Warren County Clerk's Office, (765) 762-3510; Angela Sheppard, Lake County Election Board, (219) 755-3443; Kosciusko County Clerk's Office, (574) 372-2332; Johnson County Clerk's Office, (317) 736-3708; Vigo County Clerk's Office (812) 462-3214; Orange County Clerk's Office, (812) 723-2649; Randolph County Clerk's Office, (765) 584-4214; Perry County Clerk's Office, (812) 547-3741; Steve Shamo, Micro Vote, (317) 257-4900; Indiana Election Division, (317) 232-3939.

Fiscal Analyst: Bob Sigalow, 317-232-9859; Valerie Ruda, 317-232-9867.